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**Testimony of Minnesota Agriculture Commissioner Gene Hugoson  
Subcommittee on General Farm Commodities and Risk Management  
Tuesday, August 19, 2003  
Ada, Minnesota**

Good morning. On behalf of Governor Tim Pawlenty and the people of Minnesota, I want to thank Chairman Moran and Ranking Member Peterson for holding this hearing in northwestern Minnesota. I also want to thank the committee members for the opportunity to share my thoughts on how farm programs and crop insurance coverage affect Minnesota's farmers.

Agriculture is the lifeblood of rural Minnesota's economy. When our agriculture sector is strong, our rural economy thrives. According to economists, agriculture accounts for nearly 17 percent of the state's total economic activity and generates jobs for one of every three rural Minnesota workers.

Unfortunately, Minnesota's agriculture sector has struggled with a number of challenges in recent years. That is particularly true here in the northwest corner of the state, where in addition to low commodity prices and rising production costs, producers have battled weather extremes, devastating floods and crop disease.

Minnesota farmers have made their way through these challenges thanks to hard work and perseverance. They've also benefited from some strong assistance from the federal government and the state. Through July 24, 2003, Minnesota had received nearly \$27.6 million in federal payments as a part of the 2001-02 crop disaster program. This aid has helped farmers deal with the economic repercussions of events such as the flooding that occurred after numerous heavy rains in the summer of 2002. This flooding affected millions of acres of cropland and pasture land. Unfortunately, this pattern of excessive rainfall and flooding is an experience farmers have had to face in this region for much of the last decade.

Considering the harsh blows Mother Nature has landed in this region, it should be no surprise that many Minnesota farmers have chosen to participate in federal crop insurance programs. According to information from the U.S. Department of Agriculture's Risk Management Agency (RMA), Minnesota producers in 2002 bought a total of 127,563 crop insurance policies under USDA's federal crop insurance program. The policies covered a total of 16.3 million acres, including more than 85 percent of Minnesota's corn acreage, 90 percent of the state's soybean and wheat acreage, and 99 percent of our sugar beet acreage.

Despite the boost the federal crop insurance program has provided, there remain challenges for producers who want to use these risk-management tools. Specifically, there are concerns

about how the program will address regions that suffer losses in multiple years. Recurring disasters are bad enough, but the economic problems can be exacerbated when insurance premiums rise out of the range of affordability for farmers and coverage becomes harder and harder to find.

As this committee reviews crop insurance and commodity programs, I encourage you to look for new ways to ensure the continued availability of affordable crop insurance in regions with disasters in multiple years. After all, farmers recovering from a series of disasters need continued access to important risk-management tools such as crop insurance. It should also be pointed out that an affordable crop insurance program with adequate coverage and high participation rates could help reduce the need for emergency assistance payments in times of disaster. One option may be to develop whole-farm policies to give producers options in addition to commodity-specific crop insurance programs.

A second point I ask the committee to consider is to look for ways to expand the reach of crop insurance and other risk-management tools. While producers of major program crops generally have a solid set of risk-management options, the tool box is much smaller for those who raise livestock or specialty crops.

To help fill this gap, the Minnesota Department of Agriculture has trained a team of certified risk managers around the state. We work with these people to provide education to farmers about how to identify and implement risk-management tools that might work for them. This program is modeled after the Certified Financial Planner (CFP) program. To date, we have trained 85 risk managers. Our goal is to reach 100 in the coming months.

But there is more that we can and should do to help make risk-management tools available to all farmers. To illustrate my point, let me use the example of dairy producers. The dairy industry ranks among the oldest and most important economic sectors in Minnesota. A recent economic analysis showed Minnesota's dairy industry (including production and processing) generates \$11 billion in economic activity. It also supports 76,000 jobs – many in economically fragile rural communities. Unfortunately, Minnesota's dairy sector is going through a financial crisis due to persistently low milk prices. I believe part of the solution to what ails our dairy sector is to provide farmers with new and more effective tools for smoothing out price fluctuations and managing their risk.

I am aware of some promising pilot programs in this area, particularly two programs called Adjusted Gross Revenue (AGR) and Adjusted Gross Revenue Lite (AGR-Lite). These programs provide protection against revenue loss due to unavoidable natural disasters or market fluctuations for farmers who meet the eligibility criteria. The programs are designed to provide coverage for highly diversified operations and livestock and dairy operations.

Whole-farm revenue insurance products such as AGR-Lite offer long-term benefits that can help stimulate our region's dairy industry. In addition, such products would also help provide coverage for several of Minnesota's uninsured and underinsured specialty crops. For example, AGR and AGR-Lite may provide badly needed coverage to specialty enterprise farmers like those in this part of the state who produce turf grass seed and now have only limited access to risk-management tools through the Non-Insured Assistance Program (NAP).

There are currently no plans to make AGR and AGR-Lite available to farmers in Minnesota and other non-pilot states until after an evaluation is completed in 2004. However, earlier this summer, I submitted a request to RMA Administrator Ross Davidson asking him to consider allowing these programs to be made available in Minnesota for the 2004 crop year. Like the areas included in the pilot programs, Minnesota has a highly diversified agriculture sector with many small and mid-sized livestock operations – many of which would stand to benefit under AGR and AGR-Lite.

Aside from livestock producers, we face another challenge in delivering risk-management tools to growers of specialty crops. Minnesota producers an amazing array of specialty crops, from peas to sweet corn to grass seed. There are currently limited farm program tools available to farmers growing these crops. However, Congress did provide support for these farmers in the form of the specialty crop block grants disbursed to states in 2002. These block grants delivered to farmers through states are effective delivery vehicles because they allow each state to tailor the aid to fit its unique circumstances.

In Minnesota, we used the specialty crops grant to fund 23 projects involving marketing, research and education. This included:

- Developing markets for potato growers in the Red River Valley;
- Researching pest and disease prevention options for growers of sweet corn, peas and snap beans;
- Helping dry bean producers research an effective crop desiccant; and
- Developing an improved variety of rye grass for turf seed producers.

To get a better idea of how each state used its portion of the specialty crops grants, I refer you to a report prepared for lawmakers by the National Association of State Departments of Agriculture.

Block grants are not always an easy sell when budgets are tight. However, given the flexibility of such aid packages, I would encourage members to consider this option in delivering future aid to specialty crops producers around the country.

Thank you again for coming to Minnesota and giving us all an opportunity to share our thoughts on these important topics. I will be happy to respond to any questions or comments you may have on the points raised in my testimony.